

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2010

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**Lynnville-Sully Community School District
Board of Education and School District Officials
Year Ended June 30, 2010**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2009 Election)		
Daniel Cross	President	2011
John Terpstra	Vice President	2011
Tim Dunsbergen	Board Member	2009
Michael Rozendaal	Board Member	2009
Matt James	Board Member	2011
(After September, 2009 Election)		
Tim Dunsbergen	President	2013
Michael Rozendaal	Vice President	2013
Daniel Cross	Board Member	2011
Matt James	Board Member	2011
John Terpstra	Board Member	2011
School District Officials		
Duane Willhite	Superintendent	2010
Karla De Cook	Business Manager/District Secretary	2010
Kyle Terpstra	District Treasurer	2010
Brian Gruhn	Attorney	2010



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Van Maanen, Sietstra & Meyer, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Lynnville-Sully Community School District
Lynnville-Sully, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lynnville-Sully Community School District, Lynnville-Sully, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lynnville-Sully Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2010 on our consideration of Lynnville-Sully Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lynnville-Sully Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ending June 30, 2005 and we audited the financial statements for the four years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

August 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lynnville-Sully Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,315,213 in fiscal 2009 to \$4,359,240 in fiscal 2010, while General Fund expenditures decreased from \$4,505,389 in fiscal 2009 to \$4,504,870 in fiscal 2010. The District's General Fund balance decreased from \$457,391 in fiscal 2009 to \$311,761 in fiscal 2010, a 32% decrease.
- The increase in General Fund revenues was attributable to ARRA funds received. The decrease in expenditures was due primarily to imposed budget cuts.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lynnville-Sully Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lynnville-Sully Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lynnville-Sully Community School District acts solely as an agent or custodian for the benefit of those outside of the district.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

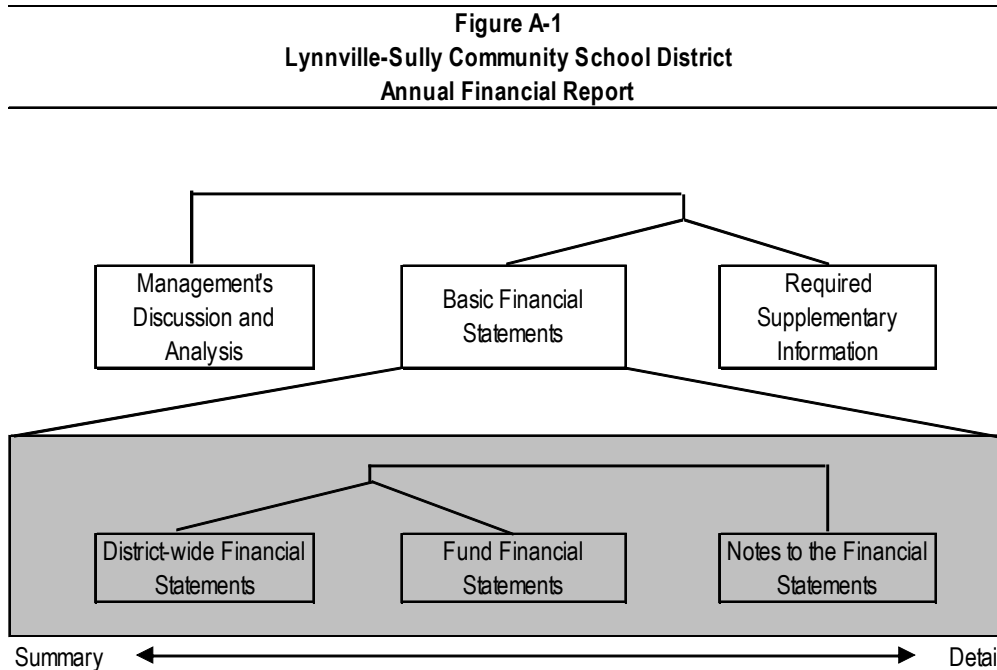


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services
Required Financial Statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in fund net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The district has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 4,569	4,694	61	65	4,630	4,759	-2.7%
Capital assets	5,163	4,786	9	11	5,172	4,797	7.8%
Total assets	9,732	9,480	70	76	9,802	9,556	2.6%
Long-term liabilities	3,588	2,220	-	-	3,588	2,220	61.6%
Other liabilities	3,033	3,659	-	4	3,033	3,663	-17.2%
Total liabilities	6,621	5,879	-	4	6,621	5,883	12.5%
Net assets:							
Invested in capital assets, net of related debt	1,643	2,581	9	11	1,652	2,592	-36.3%
Restricted	1,238	571	-	-	1,238	571	116.8%
Unrestricted	230	449	61	61	291	510	-42.9%
Total net assets	\$ 3,111	3,601	70	72	3,181	3,673	-13.4%

The District's combined net assets decreased by nearly 13.4%, or approximately \$492,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$667,000, or 116.8% over the prior year.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) decreased approximately \$219,000, or 42.9%.

Figure A-4 shows the change in net assets for the year ended June 30, 2010

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 697	662	181	184	878	846	3.8%
Operating grants, contributions and restricted interest	1,016	764	67	66	1,083	830	30.5%
General revenues:							
Property tax	1,955	1,903	-	-	1,955	1,903	2.7%
Local option sales and service tax	266	286	-	-	266	286	-7.0%
Unrestricted state grants	1,328	1,590	-	-	1,328	1,590	-16.5%
Unrestricted investment earnings	23	32	-	-	23	32	-28.1%
Other	51	62	-	-	51	62	-17.7%
Total revenues	5,336	5,299	248	250	5,584	5,549	0.6%
Program expenses:							
Governmental activities:							
Instruction	3,521	3,470	-	-	3,521	3,470	1.5%
Support services	1,498	1,481	-	-	1,498	1,481	1.1%
Non-instructional programs	1	1	250	246	251	247	1.6%
Other expenses	806	337	-	-	806	337	139.2%
Total expenses	5,826	5,289	250	246	6,076	5,535	9.8%
Change in net assets	\$ (490)	10	(2)	4	(492)	14	-3614.3%

In fiscal 2010, property tax and unrestricted state grants account for 62% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,336,229 and expenses were \$5,826,510

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	\$ 3,521	3,470	1.5%	2,010	2,238	-10.2%
Support services	1,498	1,481	1.1%	1,482	1,450	2.2%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	806	337	139.2%	621	174	256.9%
Totals	\$ 5,826	5,289	10.2%	4,114	3,863	6.5%

- The cost financed by users of the District's programs was \$4,114,317.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,015,685.
- The net cost of governmental activities was financed with \$2,221,322 in property and other taxes and \$1,328,329 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$247,390 and expenses were \$250,016. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Lynnville-Sully Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,523,190 up from last year's ending fund balances of \$1,037,090.

Governmental Fund Highlights

- The General Fund balance decreased from \$457,391 to \$311,761 due in part to increased salary and benefit costs and the 10% across the board cut.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a balance of \$177,266 in fiscal 2009 to a balance of \$130,251 in fiscal 2010.
- The Capital Projects Fund balance increased from \$235,664 in fiscal 2009 to \$908,034 in fiscal 2010.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$72,403 at June 30, 2009 to \$69,777 at June 30, 2010, representing a decrease of approximately 3.6%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$377,541 lower than budgeted, a variance of 6%. The most significant variance resulted from the District receiving less in State sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the instruction and support services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$5.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$221,670.

The original cost of the District's capital assets was \$9.2 million.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled \$1,526,558 at June 30, 2010, compared to \$1,437,362 at June 30, 2009.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 116	116	-	-	116	116	0.0%
Construction in progress	423	-	-	-	423	-	
Buildings	4,044	4,137	-	-	4,044	4,137	-2.2%
Improvements other than buildings	148	128	-	-	148	128	15.6%
Furniture and equipment	432	405	9	11	441	416	6.0%
Totals	\$ 5,163	4,786	9	11	5,172	4,797	7.8%

Long-Term Debt

At June 30, 2010 the District had \$3,587,553 in general obligation and other long-term debt outstanding. This represents an increase of approximately 61.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$ 2,065	2,205	-6.3%
Revenue bonds	1,455	-	-
Early retirement	68	15	353.3%
Totals	\$ 3,588	2,220	61.6%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karla De Cook, District Secretary/Treasurer and Business Manager, Lynnville-Sully Community School District, Sully, Iowa, 50251.

Basic Financial Statements

Lynnville-Sully Community School District
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,998,938	56,610	2,055,548
Receivables:			
Property tax:			
Delinquent	18,181	-	18,181
Succeeding year	1,960,791	-	1,960,791
Income surtax	195,732	-	195,732
Accounts	870	-	870
Due from other governments	391,319	-	391,319
Inventories	-	4,688	4,688
Net OPEB asset	2,815	185	3,000
Capital assets, net of accumulated depreciation	5,163,378	8,883	5,172,261
Total assets	9,732,024	70,366	9,802,390
Liabilities			
Accounts payable	477,193	589	477,782
Salaries and benefits payable	379,155	-	379,155
Accrued interest payable	7,897	-	7,897
Unearned revenue:			
Succeeding year property tax	1,960,791	-	1,960,791
Income surtax	195,732	-	195,732
Other	12,218	-	12,218
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	145,000	-	145,000
Early retirement	17,552	-	17,552
Portion due after one year:			
General obligation bonds payable	1,920,000	-	1,920,000
Revenue bonds	1,455,000	-	1,455,000
Early retirement	50,000	-	50,000
Total liabilities	6,620,538	589	6,621,127
Net assets			
Invested in capital assets, net of related debt	1,643,378	8,883	1,652,261
Restricted for:			
Categorical funding	34,303	-	34,303
Management levy	11,915	-	11,915
Physical plant and equipment levy	130,251	-	130,251
Capital projects	908,034	-	908,034
Other special revenue purposes	153,248	-	153,248
Debt service	84	-	84
Unrestricted	230,273	60,894	291,167
Total net assets	\$ 3,111,486	69,777	3,181,263

See notes to financial statements.

Exhibit B

Lynnville-Sully Community School District
Statement of Activities
Year ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,127,067	338,602	536,965	(1,251,500)	-	(1,251,500)
Special instruction	722,040	60,035	267,432	(394,573)	-	(394,573)
Other instruction	672,356	297,871	10,299	(364,186)	-	(364,186)
	<u>3,521,463</u>	<u>696,508</u>	<u>814,696</u>	<u>(2,010,259)</u>	<u>-</u>	<u>(2,010,259)</u>
Support Services:						
Student	116,032	-	-	(116,032)	-	(116,032)
Instructional staff	159,060	-	-	(159,060)	-	(159,060)
Administration	561,700	-	-	(561,700)	-	(561,700)
Operating and maintenance of plant	370,065	-	-	(370,065)	-	(370,065)
Transportation	291,177	-	16,285	(274,892)	-	(274,892)
	<u>1,498,034</u>	<u>-</u>	<u>16,285</u>	<u>(1,481,749)</u>	<u>-</u>	<u>(1,481,749)</u>
Non-instructional programs	<u>1,015</u>	<u>-</u>	<u>-</u>	<u>(1,015)</u>	<u>-</u>	<u>(1,015)</u>
Other expenditures:						
Facilities acquisition	479,265	-	-	(479,265)	-	(479,265)
Long-term debt interest	142,029	-	-	(142,029)	-	(142,029)
AEA flowthrough	184,704	-	184,704	-	-	-
	<u>805,998</u>	<u>-</u>	<u>184,704</u>	<u>(621,294)</u>	<u>-</u>	<u>(621,294)</u>
Total governmental activities	<u>5,826,510</u>	<u>696,508</u>	<u>1,015,685</u>	<u>(4,114,317)</u>	<u>-</u>	<u>(4,114,317)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	250,016	180,696	66,521	-	(2,799)	(2,799)
	<u>250,016</u>	<u>180,696</u>	<u>66,521</u>	<u>-</u>	<u>(2,799)</u>	<u>(2,799)</u>
Total primary government	<u>\$ 6,076,526</u>	<u>877,204</u>	<u>1,082,206</u>	<u>(4,114,317)</u>	<u>(2,799)</u>	<u>(4,117,116)</u>

Exhibit B

Lynnville-Sully Community School District
Statement of Activities
Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 6,076,526	877,204	1,082,206	(4,114,317)	(2,799)	(4,117,116)
General Revenues:						
Property tax levied for:						
General purposes				1,661,374	-	1,661,374
Debt service				140,470	-	140,470
Capital outlay				153,616	-	153,616
Statewide sales and services tax				265,862	-	265,862
Unrestricted state grants				1,328,329	-	1,328,329
Unrestricted investment earnings				23,202	173	23,375
Other				19,941	-	19,941
Contributions not restricted to specific programs				31,242	-	31,242
Total general revenues				3,624,036	173	3,624,209
Change in net assets				(490,281)	(2,626)	(492,907)
Net assets beginning of year, as restated				3,601,767	72,403	3,674,170
Net assets end of year				\$ 3,111,486	69,777	3,181,263

See notes to financial statements.

Exhibit C

Lynnville-Sully Community School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
Assets					
Cash and pooled investments	\$ 368,452	6,494	1,305,989	318,003	1,998,938
Receivables:					
Property tax:					
Current year delinquent	14,836	1,487	-	1,858	18,181
Succeeding year	1,791,592	40,168	-	129,031	1,960,791
Income surtax	146,799	-	-	48,933	195,732
Accounts	-	-	-	870	870
Due from other governments	365,898	-	25,421	-	391,319
Total assets	\$ 2,687,577	48,149	1,331,410	498,695	4,565,831
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 46,052	-	423,376	7,765	477,193
Salaries and benefits payable	379,155	-	-	-	379,155
Early retirement payable	-	-	-	17,552	17,552
Deferred revenue:					
Succeeding year property tax	1,791,592	40,168	-	129,031	1,960,791
Income surtax	146,799	-	-	48,933	195,732
Other	12,218	-	-	-	12,218
Total liabilities	2,375,816	40,168	423,376	203,281	3,042,641
Fund balances:					
Reserved for:					
Categorical funding	34,303	-	-	-	34,303
Debt service	-	7,981	123,469	-	131,450
Unreserved	277,458	-	784,565	295,414	1,357,437
Total fund balances	311,761	7,981	908,034	295,414	1,523,190
Total liabilities and fund balances	\$ 2,687,577	48,149	1,331,410	498,695	4,565,831

See notes to financial statements.

Exhibit D

**Lynnville-Sully Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2010**

Total fund balances of governmental funds (Exhibit C)	\$ 1,523,190
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***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,163,378
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,897)
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Long-term liabilities, including bonds payable, early retirement and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,567,185)</u>
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Net assets of governmental activities (Exhibit A)	<u>\$ 3,111,486</u>
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See notes to financial statements.

Exhibit E

Lynnville-Sully Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2010

	General	Debt Service	Capital Projects	Non-major Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,586,505	140,470	265,862	228,485	2,221,322
Tuition	324,431	-	-	-	324,431
Other	103,716	344	21,081	320,617	445,758
State sources	1,969,505	58	-	72	1,969,635
Federal sources	375,083	-	-	-	375,083
Total revenues	4,359,240	140,872	286,943	549,174	5,336,229
Expenditures:					
Current:					
Instruction:					
Regular	1,986,163	-	-	36,647	2,022,810
Special	696,243	-	-	-	696,243
Other	347,383	-	-	294,981	642,364
	3,029,789	-	-	331,628	3,361,417
Support services:					
Student	96,184	-	-	441	96,625
Instructional staff	85,348	-	-	36,662	122,010
Administration	553,962	-	-	3,362	557,324
Operation and maintenance of plant	321,425	-	-	94,031	415,456
Transportation	233,458	-	-	103,150	336,608
	1,290,377	-	-	237,646	1,528,023
Non-instructional programs	-	-	-	1,015	1,015
Other expenditures:					
Facilities acquisition	-	-	929,166	18,279	947,445
Long-term debt:					
Principal	-	140,000	-	-	140,000
Interest and fiscal charges	-	102,118	-	-	102,118
Bond issuance costs	-	-	40,407	-	40,407
AEA flowthrough	184,704	-	-	-	184,704
	184,704	242,118	969,573	18,279	1,414,674
Total expenditures	4,504,870	242,118	969,573	588,568	6,305,129
Deficiency of revenues under expenditures	(145,630)	(101,246)	(682,630)	(39,394)	(968,900)
Other financing sources (uses):					
Revenue bonds issued	-	-	1,455,000	-	1,455,000
Operating transfers in (out)	-	100,000	(100,000)	-	-
Total other financing sources	-	100,000	1,355,000	-	1,455,000
Net change in fund balances	(145,630)	(1,246)	672,370	(39,394)	486,100
Fund balances beginning of year, as restated	457,391	9,227	235,664	334,808	1,037,090
Fund balances end of year	\$ 311,761	7,981	908,034	295,414	1,523,190

See notes to financial statements.

Exhibit F

Lynnville-Sully Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) **\$ 486,100**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 599,425	
Depreciation expense	(221,670)	377,755

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	(1,455,000)	
Repaid	140,000	(1,315,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(42,447)	
Other postemployment benefits	2,815	(39,632)

Change in net assets of governmental activities (Exhibit B) **\$ (490,281)**

See notes to financial statements.

Exhibit G

**Lynnville-Sully Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2010**

	School Nutrition
Assets	
Current assets:	
Cash and investments	\$ 56,610
Inventories	4,688
Total current assets	<u>61,298</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	155,003
Accumulated depreciation	(146,120)
Net OPEB asset	185
Total non-current assets	<u>9,068</u>
Total assets	<u><u>70,366</u></u>
Liabilities	
Current liabilities:	
Accounts payable	589
Total current liabilities	<u>589</u>
Net Assets	
Invested in capital assets, net of related debt	8,883
Unrestricted	<u>60,894</u>
Total net assets	<u><u>\$ 69,777</u></u>

See notes to financial statements.

Exhibit H

Lynnville-Sully Community School District
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year ended June 30, 2010

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 180,696
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Depreciation	2,133
Other	247,883
Total operating expenses	250,016
Operating loss	(69,320)
Non-operating revenue:	
Local sources	173
State sources	2,201
Federal sources	64,320
Total non-operating revenue	66,694
Change in net assets	(2,626)
Net assets beginning of year	72,403
Net assets end of year	\$ 69,777

See notes to financial statements.

Exhibit I

Lynnville-Sully Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 180,696
Cash payments to employees for services	(133,364)
Cash payments to suppliers for goods or services	(105,255)
Net cash used by operating activities	<u>(57,923)</u>
Cash flows from non-capital financing activities:	
State grants received	2,201
Federal grants received	49,708
Net cash provided by non-capital financing activities	<u>51,909</u>
Cash flows from investing activities:	
Interest on investments	<u>173</u>
Net decrease in cash and cash equivalents	(5,841)
Cash and cash equivalents at beginning of year	<u>62,451</u>
Cash and cash equivalents at end of year	<u><u>\$ 56,610</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (69,320)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,612
Depreciation	2,133
(Increase) in inventories	(2,172)
(Decrease) in other postemployment benefits	(185)
Increase in accounts payable	589
(Decrease) in salaries and benefits payable	(3,580)
Net cash used by operating activities	<u><u>\$ (57,923)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 56,610
Cash and cash equivalents at year end	<u><u>\$ 56,610</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$14,612.

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Lynnvile-Sully Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Lynnvile, Sully, Searsboro and Killduff, Iowa and the predominate agricultural territory in Jasper, Poweshiek and Mahaska counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lynnvile-Sully Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Lynnvile-Sully Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Physical Plant and Equipment Levy (PEEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment	3,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable and income surtax receivable not collected within sixty days after year end.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures exceeded the amount budgeted in the other expenditures functional area.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 100,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-2010A warrants was 2.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	\$ 822,000	200,000	1,022,000	-

During the year ended June 30, 2010, the District paid \$6,232 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 116,125	-	-	116,125
Construction in progress	-	423,376	-	423,376
Total capital assets not being depreciated	116,125	423,376	-	539,501
Capital assets being depreciated:				
Buildings	6,767,474	53,809	-	6,821,283
Improvements other than buildings	278,926	26,054	-	304,980
Furniture and equipment	1,437,362	96,186	6,990	1,526,558
Total capital assets being depreciated	8,483,762	176,049	6,990	8,652,821
Less accumulated depreciation for:				
Buildings	2,630,795	146,337	-	2,777,132
Improvements other than buildings	150,831	5,987	-	156,818
Furniture and equipment	1,032,638	69,346	6,990	1,094,994
Total accumulated depreciation	3,814,264	221,670	6,990	4,028,944
Total capital assets being depreciated, net	4,669,498	(45,621)	-	4,623,877
Governmental activities capital assets, net	\$ 4,785,623	377,755	-	5,163,378
Business type activities:				
Furniture and equipment	\$ 155,003	-	-	155,003
Less accumulated depreciation	143,987	2,133	-	146,120
Business type activities capital assets, net	\$ 11,016	(2,133)	-	8,883

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 63,514
Special	26,464
Other	29,992

Support services:

Student services	19,407
Instructional staff	37,050
Administration	4,635
Operation and maintenance of plant	2,411
Transportation	38,197

Total governmental activities depreciation expense	\$ 221,670
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Business type activities:

Food services	\$ 2,133
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,205,000	-	140,000	2,065,000	145,000
Revenue bonds	-	1,455,000	-	1,455,000	-
Early retirement	15,105	77,552	25,105	67,552	17,552
Total	\$ 2,220,105	1,532,552	165,105	3,587,552	162,552

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Bond Issue of February 1, 2002				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.59%	\$ 145,000	94,768	239,768
2012	4.61%	150,000	88,605	238,605
2013	4.65%	160,000	82,230	242,230
2014	4.68%	170,000	75,350	245,350
2015	4.71%	175,000	67,870	242,870
2016	4.74%	185,000	59,995	244,995
2017	4.77%	195,000	51,485	246,485
2018	4.80%	205,000	42,515	247,515
2019	4.84%	215,000	32,880	247,880
2020	4.85%	225,000	22,560	247,560
2021	4.90%	240,000	11,760	251,760
Total		\$ 2,065,000	630,018	2,695,018

Revenue Bonds

Details of the Districts' June 30, 2010 local option sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of April 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.00%	\$ -	44,081	44,081
2012	3.00%	50,000	58,025	108,025
2013	3.00%	55,000	56,450	111,450
2014	3.00%	55,000	54,800	109,800
2015	3.50%	55,000	53,150	108,150
2016	3.50%	60,000	51,275	111,275
2017	3.50%	60,000	49,175	109,175
2018	3.50%	65,000	46,988	111,988
2019	3.88%	65,000	44,712	109,712
2020	3.88%	70,000	42,219	112,219
2021	4.25%	70,000	39,506	109,506
2022	4.25%	75,000	36,556	111,556
2023	4.25%	75,000	33,369	108,369
2024	4.25%	80,000	30,075	110,075
2025	4.25%	85,000	26,569	111,569
2026	4.70%	85,000	22,956	107,956
2027	4.70%	90,000	19,035	109,035
2028	4.70%	95,000	14,688	109,688
2029	4.70%	100,000	10,105	110,105
2030	4.70%	165,000	5,287	170,287
Total		\$ 1,455,000	739,021	2,194,021

The District has pledged future statewide sales, services and use tax revenues for the purpose of construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$2,194,021. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$265,862.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$123,469 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2010.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$188,402, \$175,257, and \$156,889, respectively, equal to the required contributions for each year.

(8) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 76 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual OPEB cost	\$	43,000
Contributions made		(46,000)
(Decrease) in net OPEB obligation		(3,000)
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	(3,000)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$46,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 43,000	106.98%	\$ (3,000)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$418,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$418,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,057,399, and the ratio of the UAAL to covered payroll was 20.3%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Termination Benefits

The District offered a voluntary early retirement plan to its employees. Eligible employees must have had completed at least 25 years of continuous service to the District and must have reached the age of fifty-five on or before June 30, 2010. The application for early retirement was subject to approval by the Board of Education.

The employee shall receive a total benefit of \$30,000 payable in six installments over a three year period. At June 30, 2010, the District had obligations to three participants with a total liability of \$67,552.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$184,704 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Restatements

The total beginning net assets of governmental activities and the beginning General Fund balance were decreased by \$8,954 due to a reallocation of state grants.

(13) Construction Commitment

The District has entered into a contract totaling \$1,225,800 for the Elementary and Middle School heat pump project. As of June 30, 2010, costs of \$423,376 had been incurred against the contract. The balance of \$802,424 remaining at June 30, 2010 will be paid as work on the project progresses.

Required Supplementary Information

Lynnville-Sully Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 2,991,511	180,869	3,172,380	3,209,432	(37,052)
State sources	1,969,635	2,201	1,971,836	2,576,728	(604,892)
Federal sources	375,083	64,320	439,403	175,000	264,403
Total revenues	5,336,229	247,390	5,583,619	5,961,160	(377,541)
Expenditures:					
Instruction	3,361,417	-	3,361,417	4,078,000	716,583
Support services	1,528,023	-	1,528,023	1,840,300	312,277
Noninstructional programs	1,015	250,016	251,031	277,400	26,369
Other expenditures	1,414,674	-	1,414,674	849,292	(565,382)
Total expenditures	6,305,129	250,016	6,555,145	7,044,992	489,847
Deficiency of revenues under expenditures	(968,900)	(2,626)	(971,526)	(1,083,832)	112,306
Other financing sources, net	1,455,000	-	1,455,000	-	1,455,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures	486,100	(2,626)	483,474	(1,083,832)	1,567,306
Balances beginning of year, as restated	1,037,090	72,403	1,109,493	1,174,056	(64,563)
Balances end of year	\$ 1,523,190	69,777	1,592,967	90,224	1,502,743

See accompanying independent auditor's report.

Lynnvile-Sully Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

Lynnville-Sully Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 418,000	\$ 418,000	0.0%	\$ 2,057,399	20.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Schedule 1

Lynnville-Sully Community School District
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 28,692	159,493	129,818	318,003
Receivables:				
Property tax:				
Current year delinquent	775	-	1,083	1,858
Succeeding year	75,000	-	54,031	129,031
Income surtax	-	-	48,933	48,933
Accounts	-	870	-	870
Total assets	\$ 104,467	160,363	233,865	498,695
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	7,115	650	7,765
Early retirement payable	17,552	-	-	17,552
Deferred revenue:				
Succeeding year property tax	75,000	-	54,031	129,031
Income surtax	-	-	48,933	48,933
Total liabilities	92,552	7,115	103,614	203,281
Fund balances:				
Unreserved, undesignated fund balance	11,915	153,248	130,251	295,414
Total liabilities and fund balances	\$ 104,467	160,363	233,865	498,695

See accompanying independent auditor's report.

Schedule 2

Lynnville-Sully Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
Year ended June 30, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 74,869	-	153,616	228,485
Other	463	319,205	949	320,617
State sources	30	-	42	72
Total revenues	75,362	319,205	154,607	549,174
Expenditures:				
Current:				
Instruction:				
Regular	35,148	-	1,499	36,647
Other	-	294,981	-	294,981
Support Services:				
Student	441	-	-	441
Instructional staff	625	-	36,037	36,662
Administration	3,362	-	-	3,362
Operation and maintenance of plant	30,818	997	62,216	94,031
Transportation	4,367	15,192	83,591	103,150
Non-instructional program	1,015	-	-	1,015
Other expenditures:				
Facilities acquisition	-	-	18,279	18,279
Total expenditures	75,776	311,170	201,622	588,568
Excess of revenues over expenditures	(414)	8,035	(47,015)	(39,394)
Fund balances beginning of year	12,329	145,213	177,266	334,808
Fund balances end of year	\$ 11,915	153,248	130,251	295,414

See accompanying independent auditor's report.

Schedule 3

Lynnville-Sully Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic Booster Club	\$ 23,753	46,406	41,357	28,802
Drill Team	952	2,661	2,638	975
ITED Incentives	3,099	136		3,235
Weightlifting	1,226	-	502	724
Instrumental Concerts	142	200	342	-
Instrumental Resale	83	255	149	189
Vocal Concerts	-	293	282	11
Music Booster Club	3,968	9,670	2,074	11,564
Music Boosters Uniforms	1,796	565	510	1,851
Academic Booster Club	6,564	6,750	7,473	5,841
High School Annual (Yearbook)	18,838	21,633	25,547	14,924
Junior High Annual	3,561	2,114	5,661	14
Speech and Drama	115	1,975	1,966	124
Cheerleaders	126	4,020	3,688	458
Co-Ed Athletics	8,645	52,036	51,092	9,589
Co-Ed Athletics - Uniforms	-	3,720	3,377	343
Basketball	569	14,347	12,688	2,228
Football	2,270	8,213	7,111	3,372
Baseball	506	2,689	3,195	-
Cross Country	346	557	557	346
Track	-	1,341	1,019	322
Golf	27	1,882	1,909	-
Wrestling	1,184	2,379	1,579	1,984
Volleyball	2,365	4,491	4,083	2,773
Softball	557	5,410	4,852	1,115
F.C.A.	80	870	803	147
F.F.A.	8,889	18,636	17,004	10,521
National Honor Society	108	1,365	1,163	310
High School Student Council	9,054	8,208	8,253	9,009
Junior High Student Council	3,784	15,320	16,918	2,186
Class of 2009	1,180	-	1,180	-
Class of 2010	7,112	5,471	10,221	2,362
Class of 2011	5,985	6,351	5,493	6,843
Class of 2112	2,330	3,705	35	6,000
Class of 2113	-	4,391	2,325	2,066
Class of 2018	50	-	-	50
Class of 2019	748	-	-	748
Class of 2020	-	2,157	2,026	131
Spanish Club	135	12,802	12,937	-
Padlocks	640	479	374	745
Activity Card	3,688	-	-	3,688
Interest	6,573	430	116	6,887

Schedule 3

Lynnville-Sully Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
After Prom Party	1,347	11,956	11,680	1,623
Math Club	1,898	6,986	6,334	2,550
Eighth Grade Banquet	494	-	-	494
Athletic Booster - LL and Soccer	7,762	9,454	12,303	4,913
Art Club	1,018	2,968	3,129	857
Hawk Talk	210	-	42	168
Jazz Band	737	840	1,411	166
Concession Stand	699	13,073	13,772	-
Totals	\$ 145,213	319,205	311,170	153,248

See accompanying independent auditor's report.

Lynnville-Sully Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Nine Years

	Modified Accrual Basis								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:									
Local sources:									
Local tax	\$ 2,221,322	2,188,704	2,096,135	2,030,294	1,946,651	1,601,563	1,724,141	1,834,207	1,605,992
Tuition	324,431	304,670	279,487	286,278	270,715	254,227	234,372	229,776	213,400
Other	445,758	450,751	492,107	513,387	642,764	812,954	677,403	357,558	367,557
Intermediate sources	-	-	-	-	-	-	-	4,151	6,770
State sources	1,969,635	2,152,604	2,259,724	2,198,030	2,145,914	1,847,808	1,780,259	1,777,670	1,724,070
Federal sources	375,083	202,199	175,356	185,570	113,297	148,122	118,072	136,851	63,660
Total	<u>\$ 5,336,229</u>	<u>5,298,928</u>	<u>5,302,809</u>	<u>5,213,559</u>	<u>5,119,341</u>	<u>4,664,674</u>	<u>4,534,247</u>	<u>4,340,213</u>	<u>3,981,449</u>
Expenditures:									
Instruction:									
Regular	\$ 2,022,810	2,016,527	1,917,943	1,794,640	1,708,092	1,588,743	1,608,616	1,515,256	1,450,933
Special	696,243	697,974	665,827	656,680	766,259	628,435	553,353	501,199	363,015
Other	642,364	656,697	580,612	559,788	401,269	707,540	605,766	521,873	621,942
Support services:									
Student	96,625	90,332	81,065	79,132	75,984	76,611	74,035	130,227	100,841
Instructional staff	122,010	87,116	112,269	69,720	110,692	91,545	85,689	82,792	100,881
Administration	557,324	548,166	575,598	554,684	490,049	484,750	475,768	483,767	481,490
Operation and maintenance of plant	415,456	388,632	380,045	388,497	313,949	292,393	303,195	279,515	257,586
Transportation	336,608	271,362	269,564	337,613	312,777	216,996	264,851	203,201	251,563
Non-instructional programs	1,015	998	1,316	788	728	1,304	5,960	2,097	1,822
Other expenditures:									
Facilities acquisition	947,445	202,495	164,212	80,031	930,616	133,660	644,711	2,440,074	205,878
Long-term debt:									
Principal	140,000	135,000	130,000	125,000	120,000	115,000	110,000	60,000	25,000
Interest and other charges	142,525	106,755	112,280	117,592	122,693	127,580	132,255	179,490	31,250
AEA flowthrough	184,704	163,657	161,343	156,987	147,838	139,489	141,990	153,505	151,184
Total	<u>\$ 6,305,129</u>	<u>5,365,711</u>	<u>5,152,074</u>	<u>4,921,152</u>	<u>5,500,946</u>	<u>4,604,046</u>	<u>5,006,189</u>	<u>6,552,996</u>	<u>4,043,385</u>

See accompanying independent auditor's report



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards**

To the Board of Education of Lynnville-Sully Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Lynnville-Sully Community School District, Lynnville-Sully, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated August 19, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lynnville-Sully Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lynnville-Sully Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lynnville-Sully Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lynnville-Sully Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lynnville-Sully Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Lynnville-Sully Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lynnville-Sully Community School District and other parties to whom Lynnville-Sully Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lynnville-Sully Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

August 19, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- A. Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2010, exceeded the certified budget amount in the other expenditures functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.
2. Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions – No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
7. Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
8. Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

Lynnvile-Sully Community School District
Schedule of Findings
Year ended June 30, 2010

11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$	24,893
Statewide sales, services and use tax revenue			265,862
Expenditures/transfers out			
School infrastructure:			
Facilities acquisition and construction	\$	190,755	
Debt service for school infrastructure:			
General obligation debt		100,000	290,755
Ending balance		\$	-

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.68102	\$ 100,000